

Message Text

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CMD:GGASTON (PARA 4)

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TAGS:AORG, AFIN, UN

SUBJECT:UN FINANCES: UNGA AGENDA ITEM 73 RE AUDIT REPORTS

1. AGENDA ITEM 73 PROVIDES FOR REVIEW OF REPORTS OF BOARD OF AUDITORS. WE BELIEVE IT DESIRABLE FOR US TO SPEAK ON THE VARIOUS REPORTS IN ORDER TO EMPHASIZE THE IMPORTANCE WE ATTACH TO AUDIT FUNCTION. HOWEVER, USDEL MAY EXERCISE DISCRETION IN LIGHT OF ON THE GROUND CONSIDERATIONS.

2. AUDITORS SHOULD BE ENCOURAGED TO GIVE INCREASED ATTENTION TO EFFICIENCY OF ADMINISTRATION AND MANAGEMENT (IN UNCLASSIFIED

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ACCORDANCE WITH FINANCIAL REGULATIONS).

3. WITH RESPECT TO REPORT ON UNDP (A/9607/ADD. 1): USDEL

A. MAY NOTE THE ADMINISTRATOR'S FINANCIAL REPORT AND THE

BOARD OF AUDITORS REPORT FOR 1973 (A/9607/ADD. 1).

B. SHOULD SEEK ASSURANCES THAT THE NEW FORMAT OF THE FINANCIAL REPORTS WILL NOT RESULT IN LESS FINANCIAL INFORMATION BEING PROVIDED THAN PREVIOUSLY. FOR EXAMPLE, WE WISH TO CONTINUE TO RECEIVE DETAILED INFORMATION ON EXECUTING AGENCY ACTIVITIES AS REPORTED FOR 1972 IN ANNEXES I AND III OF DP/42 AS WELL AS AUDIT REPORTS ON UNDP ACCOUNTS OF EXECUTING AGENCIES.

C. SHOULD EXPRESS CONCERN AT THE WEAKNESS NOTED BY THE AUDITORS IN THE SYSTEM FOR RECONCILING PROJECT ALLOCATION RECORDS OF THE UNDP AND IMPLEMENTING AGENCIES. THIS SAME PROBLEM WAS CITED BY THE BOARD OF AUDITORS IN ITS 1972 REPORT. WE HOPE EFFECTIVE ACTION WILL BE TAKEN ON THE BOARD'S RECOMMENDATION THAT RECONCILIATION OF THESE AMOUNTS BE MADE ON A CONTINUOUS BASIS TO INSURE EFFECTIVE INTERNAL FINANCIAL CONTROL.

D. SHOULD SOLICIT DETAILS CONCERNING THE STUDY REPORTED BY THE ADMINISTRATOR (PARA 37, PAGE 10, (A/9607/ADD. 1) AS BEING CARRIED OUT TO IDENTIFY SPECIFIC AREAS REQUIRING SPECIAL ATTENTION AND ACTION TO IMPROVE PROJECT DELIVERY. WE HOPE THE ADMINISTRATOR WILL MAKE SPECIFIC FORMAL RECOMMENDATIONS TO THE GOVERNING COUNCIL AT ITS 19TH SESSION AS TO WAYS GOVERNMENTS CAN ASSIST IN DEALING WITH THE PROBLEMS ADVERSELY AFFECTING PROJECT DELIVERY AND IMPLEMENTATION.

E. SHOULD STRONGLY SUPPORT THE BOARD OF AUDITOR'S RECOMMENDATION THAT STEPS BE TAKEN TO ENSURE RECEIPT AND RECONCILIATION OF BANK STATEMENTS ON A PROMPT BASIS.

4. WITH RESPECT TO REPORT ON UNICEF CA/9607/ADD 2), USDEL SHOULD DRAW ON FOLLOWING COMMENTS:

A.APPLIED NUTRITION PROGRAM: WITH THE POSSIBILITY OF A UNCLASSIFIED

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WORLD FOOD SHORTAGE, NUTRITION BECOMES A MAJOR CONCERN FOR LESSER DEVELOPED COUNTRIES. THEREFORE, EFFORTS TO DEVELOP AND IMPROVE THIS AREA OF DEVELOPMENT ARE OF UTMOST IMPORTANCE. APPLIED NUTRITION HAS PROVEN TO BE ONE OF THE MOST DIFFICULT AREAS TO CHANGE, MAINLY BECAUSE OF THE EATING HABITS. MORE INNOVATIVE PROGRAMS SHOULD BE SOUGHT - INNOVATIONS WHICH WILL CREATE CHANGE IN EATING HABITS AND LOCAL FOOD PRODUCTION.

B. SCIENCE EDUCATION PROGRAM: THIS PROGRAM WAS PROBABLY TOO AMBITIOUS AND THE CUT-BACK AS WELL AS THE PROPOSED EVALUATION APPEAR TO BE WARRANTED.

C. RURAL WATER SUPPLY: THE US DELEGATION TO THE UNICEF EXECUTIVE BOARD HAS QUESTIONED THE ROLE OF UNICEF IN CONDUCTING PURE WATER PROJECTS. WE WOULD RECOMMEND THAT UNICEF EVALUATE ITS ENTIRE ROLE IN THIS AREA OF DEVELOPMENT AND CONSIDER, WHERE FEASIBLE, TRANSFERRING THIS ACTIVITY TO THE WORLD HEALTH ORGANIZATION.

D. DELAYED DELIVERY OF FAILURE TO SUPPLY MATERIALS: THE US SHOULD SUPPORT THE SUGGESTIONS MADE BY THE BOARD OF AUDITORS REGARDING THE PURCHASE OF SUPPLIES.

E. NON-RECOVERY OF SALE PROCEEDS OF UNICEF VEHICLES: THE US DELEGATION HAS OVER THE YEARS RAISED MANY QUESTIONS REGARDING THE QUANTITY OF VEHICLES PURCHASED BY UNICEF. A MAJOR REASON IS THAT THE RELATIONSHIP BETWEEN THE NUMBER OF VEHICLES PURCHASED AND THE SIZE OF PROGRAMS HAS NEVER BEEN ESTABLISHED. LACK OF MAINTENANCE LEADING TO RAPID DEPRECIATION HAS ALSO RESULTED IN STRONG CRITICISM. THE SALE OF VEHICLES, NO LONGER SERVICEABLE, WAS VIEWED BY THE UNICEF EXECUTIVE BOARD AS A VIABLE ALTERNATIVE TO RECOUPING SOME OF UNICEF'S INVESTMENT. IT APPEARS THAT, IN SOME INSTANCES, THIS ALTERNATIVE IS NOT WORKING. SINCE THERE SEEMS TO BE NO WAY OF RESOLVING THIS COSTLY SITUATION, IT SHOULD BE STRONGLY RECOMMENDED THAT FEWER FOUR WHEEL, FUEL CONSUMING VEHICLES BE PURCHASED AND MORE BICYCLES BE USED IN UNICEF PROGRAMS.

E. HOUSEHOLD FURNITURE AND EQUIPMENT PROCURED FROM USAID
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AND UNROD: THE US DELEGATION SHOULD SUPPORT THE BOARD'S OPINION THAT "USE OF UNICEF FUNDS FOR THE PURCHASE OF HOUSEHOLD FURNITURE AND EQUIPMENT FROM USAID AND UNROD WITH THE INTENTION OF RESELLING THEM TO STAFF MEMBERS" WAS NOT IN ORDER. THIS PROCEDURE SHOULD BE HALTED, AND UNICEF HEADQUARTERS, NEW YORK, SHOULD DEVELOP A FEASIBLE PLAN FOR FURNISHING FIELD STAFF HOUSING.

F. NON-APPLICATION OF UNITED NATIONS STAFF RULES AND REGULATIONS TO LOCALLY RECRUITED STAFF MEMBERS OF A FIELD OFFICE IN ONE COUNTRY: IT WOULD APPEAR THAT THIS IS A CASE WHERE UNICEF IS NOT A PART OF THE COUNTRY TEAM. IF THE ILO, WHO AND UNDP HAVE AGREEMENTS WITH THE GOVERNMENT OF THE COUNTRY AND THEIR STAFF MEMBERS ARE GOVERNED BY THE UN STAFF RULES AND REGULATIONS, THEN UNICEF SHOULD ALSO BE ABLE TO APPLY THIS RULE. UNICEF SHOULD REQUEST THE SUPPORT OF THE UNDP RES REP TO RESOLVE THIS MATTER.

G. INVENTORIES OF NON-EXPENDABLE ADMINISTRATIVE PROPERTY: THE UNICEF ADMINISTRATION SHOULD BE REQUESTED TO EXPLAIN WHY ONLY 16 OF THE 40 FIELD OFFICES HAVE PREPARED INVENTOR LISTS. IT IS NOT CLEAR FROM THE AUDITORS REPORT

WHAT THE PROBLEM IS.

H. NON-PRODUCTIVE EXPENDITURE OF \$112,618: THERE SHOULD BE A THOROUGH ACCOUNTING OF THIS MATTER. IT IS APPALLING

THAT THIS AMOUNT OF MONEY WAS EXPENDED WITH ABSOLUTELY NO RETURN IN SIGHT. THE US SHOULD STRONGLY RECOMMEND THAT GUIDELINES BE ESTABLISHED TO PREVENT RECURRENCE OF SUCH NON-PRODUCTIVE HAPPENINGS IN THE FUTURE.

I. INTERNAL AUDIT SERVICE: IT IS POSSIBLE THAT THE INTERNAL AUDIT HAS NOT BEEN GIVEN PRIORITY BECAUSE OF THE MANAGEMENT SURVEY WHICH IS CURRENTLY UNDERWAY AT UNICEF. MANY OF THE MATTERS WHICH WOULD NORMALLY BE COVERED BY THE INTERNAL AUDIT WOULD PROBABLY BE CONSIDERED BY THE MANAGEMENT SURVEY TEAM AND IN THE LONG-RUN PROVE USEFUL FOR THE INTERNAL AUDITORS.

5. WITH RESPECT TO THE REPORT ON UNRWA ACCOUNTS (A/9607/ UNCLASSIFIED

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ADD 3), USDEL SHOULD:

A. COMMENT (UNLESS POINTS HAVE ALREADY BEEN MADE) THAT: (I) UNRWA WAS ABLE TO MEET ITS DEFICIT IN 1974 THROUGH SPECIAL CONTRIBUTIONS FROM THE US (\$4.2 MILLION) AND THE EEC (\$7.9 MILLION); (II) THE EFFECT OF INFLATION IS NOW CREATING SUCH LARGE DEFICITS (COMMISSIONER GENERAL'S REPORT TO THE GA PREDICTS A 1975 DEFICIT OF \$40 MILLION) THAT THEY CANNOT BE MET BY SPECIAL CONTRIBUTIONS FROM SMALL DONORS; AND (III) IF UNRWA SERVICES ARE REDUCED IN 1975 UNDER PRESENTLY AVAILABLE RESOURCES THE ORGANIZATION WILL BE UNABLE TO CARRY OUT ITS MANDATE.

6. WITH RESPECT TO REPORT ON UNITAR (A/9607/ADD 4), USDEL

A. MAY NOTE THE REPORT.

B. SHOULD SUPPORT THE FINDINGS OF THE BOARD OF AUDITORS STATED IN PART IV, PARAS. 6-22, WITH THE EXCEPTION OF PARAS. 19 AND 20 ON REAL PROPERTY TAXES ON THE UNITAR BUILDING. ON THE LATTER, THE U.S. DELEGATION SHOULD ABSTAIN FROM RAISING THE ISSUE, BUT IN THE EVENT IT IS RAISED BY OTHERS, THE US DELEGATION SHOULD RESPOND WITH LANGUAGE TO BE SUPPLIED BY USUN. THE US DELEGATION MAY COMMENT IN SUPPORT OF THE OTHER FINDINGS AS IT DEEMS APPROPRIATE.

C. SHOULD EXPRESS CONCERN OVER THE LOW RATIO OF PROGRAM EXPENDITURE TO GENERAL ADMINISTRATIVE EXPENDITURES, LISTED AS 48.9 (SCHEDULE 2, PAGE 9). HOWEVER, THE US DELEGATION SHOULD ADD THAT THIS FIGURE APPEARS SLIGHTLY

MISLEADING TO THE DETRIMENT OF UNITAR, IN THAT TOTAL EXPENDITURES SHOULD INCLUDE THE \$242,514 OF PROGRAM EXPENDITURE FROM THE SPECIAL PURPOSE GRANTS.

D. MAY AGAIN URGE GREATER FINANCIAL SUPPORT FOR UNITAR, PARTICULARLY FROM GOVERNMENTS WHICH HAVE NOT CONTRIBUTED IN THE PAST. AT PRESENT, THE US CONTRIBUTION AMOUNTS TO MORE THAN 25 OF THE TOTAL OF THE GENERAL FUND, WHILE UNDER 40 OF THE 138 MEMBER-GOVERNMENTS OF THE UN CONTRIBUTE.
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7. WITH RESPECT TO THE REPORT ON UNHCR (A/9607/ADD 5), USDEL SHOULD MAKE A STATEMENT DRAWING ON THE FOLLOWING:

A. THE US DELEGATION WISHES TO COMMEND THE BOARD OF AUDITORS FOR ITS CAREFUL AUDIT OF THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1973 PERTAINING TO THE VOLUNTARY FUNDS ADMINISTERED BY THE UNHCR. WE NOTE WITH SATISFACTION THAT THE BOARD DID NOT IDENTIFY ANY PROBLEMS OF MAJOR SCOPE OR SIGNIFICANCE REQUIRING RATIFICATION. WE DO OBSERVE, ON THE OTHER HAND, THAT THE AUDITORS MADE FINDINGS IN SEVERAL AREAS HAVING TO DO WITH FISCAL AND ADMINISTRATIVE PROCEDURES IN WHICH THE BOARD WAS ABLE TO MAKE CLEARLY SALUTARY RECOMMENDATIONS FOR IMPROVEMENTS IN THE PRACTICES MAINTAINED BY THE UNHCR. FOR EXAMPLE, WE WELCOME THE CONTINUED EMPHASIS BY THE BOARD OF AUDITORS ON THE NEED TO AVOID ACCUMULATIONS OF UNLIQUIDATED OBLIGATIONS IN PRIOR YEAR FUNDS. SIMILARLY, WE SUPPORT THE BOARD IN ITS DETAILED STUDY OF THE ARRANGEMENTS BETWEEN THE UNHCR AND THE IMPLEMENTING AGENCIES, AND IN CALLING FOR REMEDIAL ACTION WHERE INDICATED IN THE INTEREST OF GREATER OPERATIONAL AND FINANCIAL EFFICIENCY AND RESPONSIBILITY. FINALLY, WE NOTE THAT THE UNHCR HAS PROVED AMENABLE TO THE RECOMMENDATIONS OF THE BOARD OF AUDITORS AND IN CERTAIN INSTANCES IS ALREADY ACTING TO COMPLY WITH SUCH RECOMMENDATIONS.

B. THE US DELEGATION BELIEVES THAT THE THOROUGH AND ORDERLY STUDY OF THE BOARD OF AUDITORS OF THE UNHCR ACCOUNTS FOR VOLUNTARY FUNDS SERVES TO RAISE THE OVERALL LEVEL OF THE FISCAL AND OPERATIONAL STANDARDS MAINTAINED BY THE UNHCR IN THE CONDUCT OF THE UNHCR MATERIAL ASSISTANCE PROGRAM.

8. GUIDANCE WITH RESPECT TO REPORT ON UN (A/9607)
SUBJECT SEPTTEL.

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9. WITH RESPECT TO REPORT ON UNEF (A/9607/ADD.6), USDEL MAY DRAW ON THE FOLLOWING:

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A. AUDITOR'S COMMENTS (PAGES 14 AND 15) TAKE ACCOUNT OF THE FACT THAT THE ACCOUNTS ARE THOSE FOR THE FIRST YEAR OF THE PROGRAM'S OPERATION AND THEREFORE REFLECT SOME OF THE PROBLEMS OF A SHAKEDOWN PERIOD. HOPEFULLY SUCH PROBLEMS ARE IN THE PROCESS OF SOLUTION.

B. CONSULTANTS ENGAGED UNDER SPECIAL SERVICES AGREEMENTS: THE EXECUTIVE DIRECTOR'S EXTENSIVE USE OF CONSULTANTS AND THE FACT THAT HE EXCEEDED THE APPROPRIATION MADE FOR SUCH SERVICES, WAS FULLY EXPLAINED TO THE UNEP GOVERNING COUNCIL AT ITS SECOND SESSION. THE AUDITORS RECOGNIZED THE JUSTIFICATION FOR EXCEEDING THE APPROPRIATION AND HAVE PROPOSED THAT FORMAL APPROVAL SHOULD BE SOUGHT FOR "THE EMPLOYMENT OF CONSULTANTS FOR LONGER PERIODS IN RELAXATION OF THE PROVISIONS SET FORTH IN THE PERSONNEL DIRECTIVE (REF.DOC.). THE AUDITORS COMMENT IS FULLY IN ORDER AND PRESUMABLY THE DIRECTOR GENERAL WILL SEEK THE NECESSARY FORMAL APPROVAL.

C. PROGRAM SUPPORT AND ADMINISTRATIVE COSTS: THIS IS AN ISSUE THAT HAS BEEN HOTLY DEBATED BETWEEN THE UNEP SECRETARIAT AND THE UN HEADQUARTERS, AND UNEP AND THE ACABQ. THE AUDITORS HAVE NOTED THE HIGH SUPPORT COSTS IN RELATION TO THE PROGRAMS FUNDED. THEY EXPRESS THE HOPE THAT AS ACTIVITIES CARRIED OUT BY UNEP COME INTO FULL OPERATION THE POSITION WITH REGARD TO THIS RELATIONSHIP WILL IMPROVE. THE UNEP SECRETARIAT, HOWEVER, HAS CONTENTED VEHEMENTLY IN TWO GOVERNING COUNCIL SESSIONS AND IN ITS NEGOTIATIONS WITH THE UN HEADQUARTERS AND THE ACABQ THAT GIVEN THE COORDINATING FUNCTION OF UNEP, UNEP'S SUPPORT AND ADMINISTRATIVE COSTS WILL ALWAYS REMAIN HIGH IN RELATION TO PROGRAM COSTS. THIS IS PREDICATED ON THE POSITION THAT THE ENVIRONMENT PROGRAM (AS DEFINED IN UNGA RES 2997 (XXVII) FOR WHICH UNEP IS RESPONSIBLE, AND TO WHICH THESE COSTS MUST BE RELATED, IS MUCH BROADER THAN THE UNEP FUND PROGRAM. THIS WILL BE A CONTINUING PROBLEM DURING THE INITIAL PHASES OF THE UNEP PROGRAM AND ONE WHICH, OF COURSE, THE UNEP GOVERNING COUNCIL WILL HAVE TO WATCH CAREFULLY. IN THE MEANTIME, HOWEVER, THE GOVERNING COUNCIL HAS ENDORSED THE EXECUTIVE DIRECTOR'S POSITION.

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D. MAINTENANCE OF RECORDS: THE AUDITORS' COMMENTS HERE REFLECT THE FACT THAT THE UNEP SECRETARIAT HAS BEEN SLOW IN GETTING ITS ROUTINE RECORDS COMPLETED. KISSINGER

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